

Marlette District Library

Sanilac County, Michigan

76-8000

Annual Financial Report

March 31, 2004

Lehn L. King

Certified Public Accountant
Marlette, Michigan

AUDITING PROCEDURES REPORT

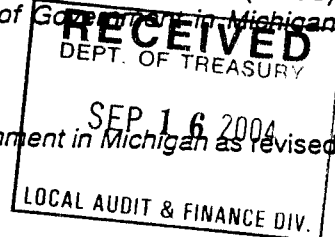
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Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other MARLETTE DISTRICT LIBRARY			County SANILAC
Audit Date MARCH 31, 2004	Opinion Date JULY 8, 2004	Date Accountant Report Submitted to State: JULY 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) LEHN KING, C.P.A.			
Street Address 3078 S. MAIN STREET	City MARLETTE	State MI	ZIP 48453
Accountant Signature <i>Lehn King, C.P.A.</i>			

Marlette District Library
Sanilac County, Michigan
Annual Financial Report
For The Year Ended March 31, 2004

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Library Board
Marlette District Library
Sanilac County, Michigan

Independent Auditor's Report

I have examined the Financial Statements of the Marlette District Library as of March 31, 2004, as listed in the Table of Contents, for the year then ended. These financial statements are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Marlette District Library prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Library has not maintained a record of its general fixed assets and accordingly a statement of general fixed assets, required by generally accepted accounting principles, is not included in the combined financial statements.

In my opinion, except for the omission of the information mentioned in the preceding paragraphs, the accompanying statements, as listed in the Table of Contents, present fairly the financial condition of the Marlette District Library on March 31, 2004, and for the year then ended.

Lehn King

Certified Public Accountant
July 8, 2004

Marlette District Library
Balance Sheet - Cash Basis

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash in Checking	\$ 116	\$ 137
Cash in Savings	81,658	90,549
Investment -		
McDonald and Co. - MMA	66,497	66,274
U.S. Treasury Notes, Obligations, & CD's	<u>966,959</u>	<u>977,049</u>
<u>Total Assets</u>	<u>\$ 1,115,230</u>	<u>\$ 1,134,009</u>
 <u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accrued Payroll Taxes	\$ 0	\$ 0
 <u>Fund Balance</u>		
Undesignated	<u>1,115,230</u>	<u>1,134,009</u>
 <u>Total Liabilities & Fund Balance</u>	<u>\$ 1,115,230</u>	<u>\$ 1,134,009</u>

The notes are an integral part of the statements.

Marlette District Library
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Cash Basis
Actual Compared to Budget
For The Year Ended March 31, 2004

	2004			2003		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Property Taxes	\$ 19,000	\$ 19,614	\$ 614	\$ 18,500	\$ 44,975	\$ 26,475
Intergovernmental	5,400	3,290	(2,110)	5,400	4,864	(536)
Penal Fines	29,000	29,642	642	28,000	5,959	(22,041)
Interest	54,000	34,469	(19,531)	54,000	64,898	10,898
Contributions & Memorials	0	382	382	0	584	584
Video Rental & Book Sales	4,800	5,970	1,170	0	2,964	2,964
Other	4,300	1,388	(2,912)	5,800	1,728	(4,072)
Total Revenues	116,500	94,755	(21,745)	111,700	125,972	14,272
Expenditures						
Salaries & Wages	43,500	45,099	(1,599)	43,500	42,454	1,046
Payroll Taxes & Retirement	4,130	3,450	680	3,700	3,427	273
Insurance	2,850	2,492	358	2,000	4,540	(2,540)
Library Association Dues	2,500	5,123	(2,623)	2,500	4,799	(2,299)
Automation	8,000	7,495	505	8,700	7,906	794
Materials - Books, Magazines, & Videos	26,200	21,539	4,661	25,600	24,192	1,408
Supplies & Workshops	4,700	3,627	1,073	4,700	4,548	152
Telephone & Utilities	5,770	5,725	45	5,200	5,742	(542)
Repairs & Maintenance	7,210	8,109	(899)	6,000	7,422	(1,422)
Capital Outlay -						
Building Improvements	0	7,341	(7,341)	0	0	0
Miscellaneous	5,650	3,535	2,115	3,400	2,350	1,050
Total Expenditures	110,510	113,535	(3,025)	105,300	107,380	(2,080)
Excess of Revenues Over (Under) Expenditures	5,990	(18,780)	(24,770)	6,400	18,592	12,192
Fund Balance - April 1, 2003	0	1,134,010	1,134,010	14,018	1,115,417	1,101,399
Fund Balance - March 31, 2004	\$ 5,990	\$ 1,115,230	\$ 1,109,240	\$ 20,418	\$ 1,134,009	\$ 1,113,591

The notes are an integral part of the statements.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2004

The accounting methods and procedures adopted by the Marlette District Library, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Library's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Marlette District Library was formed to serve the City of Marlette and other surrounding Townships. The Library operates under an elected Library Board for the purpose of providing Library services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Marlette District Library is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Marlette District Library.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Basis of Presentation - Fund Accounting - The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Library has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Library performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Library are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Library utilized the cash basis of accounting for all funds.

Budgetary Data - The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Library Clerk submits to the Library Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior April 1, the budget is legally enacted.
3. The budget is used by the Library Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2004

4. Budget amounts are as originally adopted, or as amended by the Library Board. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The Library does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Library's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Library to hold such investments until they mature.

Other Assets - Other assets held are recorded and accounted for at cost.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Generally, Revenues for governmental funds, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recorded when qualifying expenditures are paid. Expenditures for governmental funds are recorded when paid.

Vacation, Sick Leave, and Other Compensated Absences - The Library does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2004

3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	Carrying Amount	Bank Balances
Insured (FDIC)	\$ 1,115,230	\$ 1,115,230
Uninsured and Uncollateralized	0	0
Total Deposits	<u>\$ 1,115,230</u>	<u>\$ 1,115,230</u>

All cash deposits and investments of the Library are held by the Library in the Library's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized Operating Funds		NONE			
US Treasury Bonds					
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Library or its agent in the Library's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Library's name.

4. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

5. Comparative Data

Comparative total data for the prior year has been presented.

6. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1968, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Library for these budgetary funds were adopted to the activity level.

Marlette District Library

Notes To Financial Statements
For Year Ended March 31, 2004

During the year ended March 31, 2004, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Salaries & Wages	\$ 43,500	\$ 45,099	\$ 1,599
Library Association Dues	2,500	5,123	2,623
Repairs & Maintenance	7,210	8,109	899
Capital Outlay - Building Improv.	0	7,341	7,341

7. Post Employment Benefits

The Library does not provide any post employment benefits other than the pension benefits.

8. Deferred Compensation Plan

The Library provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The plan is administered by American Express Financial Advisors, Inc. and funding is through a group flexible fund retirement contract (participating) with American Express Financial Advisors, Inc. Employees are 100% vested upon contribution, the Library contributes 4.0 percent of employees' gross earnings and employees voluntarily contribute up to 20 percent of earnings. In accordance with these requirements, the Library contributed \$711.00 during the current year.

9. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Library has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

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July 8, 2004

Members of the Library Board
Marlette District Library
Sanilac County, Michigan

Members of the Library Board:

In accordance with your request, I have made an examination of the financial statements of Marlette Library for the fiscal year ended March 31, 2004. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Marlette District Library is in good financial condition. The financial records maintained by the Library are in good order.

I thank the Library officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant